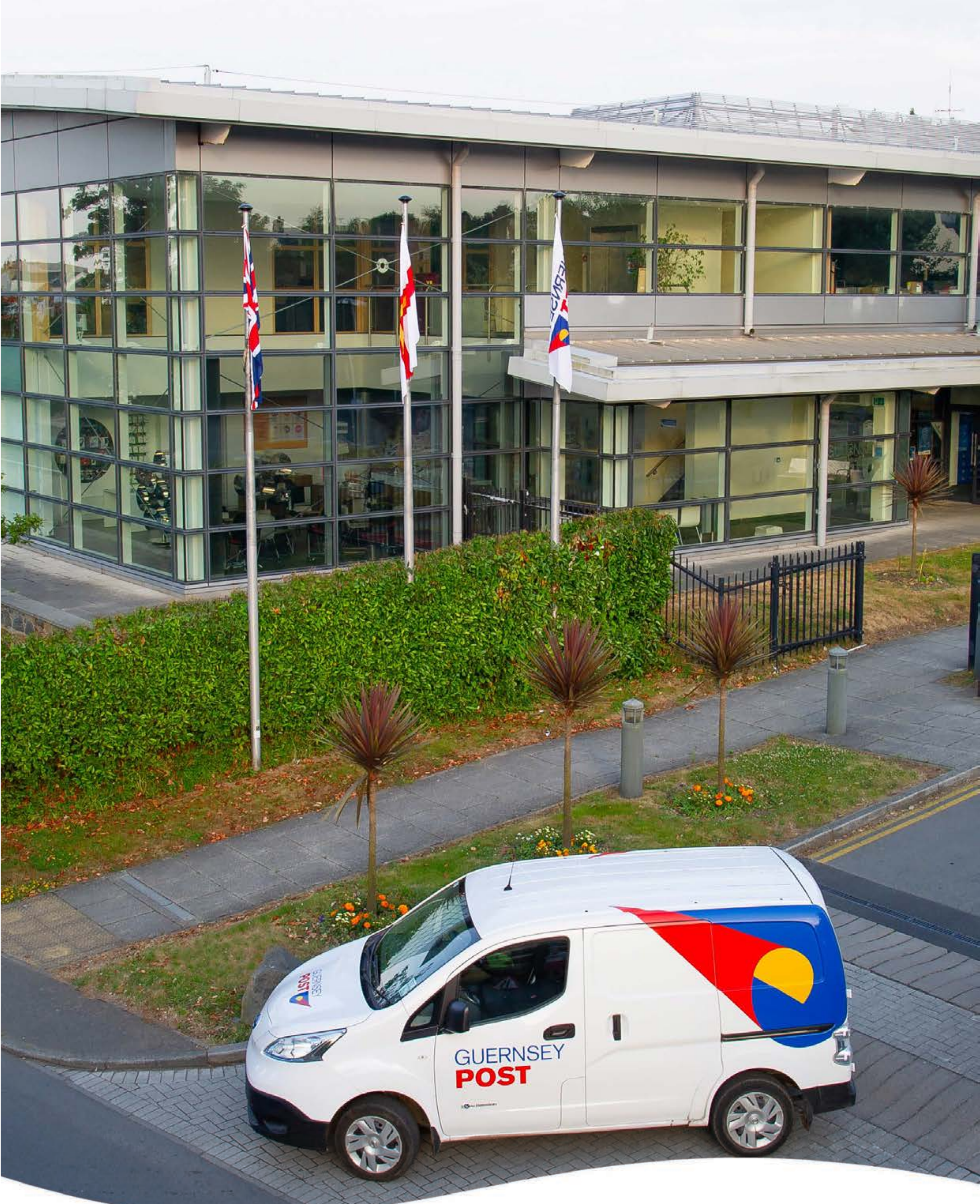


Annual Report and Financial Statements for the year ended 31 March 2018

GUERNSEY POST

CONTENTS

Directors:	Andrew Duquemin (Chairman) Boley Smillie (Chief Executive) Steve Sheridan (Finance) Jill Thomas (Commercial) (appointed 31 July 2017) Steve Hannon (Non-Executive) Stuart Le Maitre (Non-Executive) Simon Milsted (Non-Executive) Richard Digard (Non-Executive)
Auditor:	KPMG Channel Islands Limited Chartered Accountants Glategny Court Glategny Esplanade St Peter Port GUERNSEY GY1 1WR
Actuaries:	BWCI Consulting Limited Actuaries and Consultants PO Box 68 Albert House South Esplanade St Peter Port GUERNSEY GY1 3BY
Registered Office:	Envoy House La Vrangue St Peter Port GUERNSEY GY1 1AA
Greffe Registration Number:	38693

CHAIRMAN'S STATEMENT

The performance of the Company over the past twelve months, reflected by the strong set of financial results, continues to be a credit to our tremendously hard working and dedicated members of staff, and on behalf of myself and my fellow Directors, I would again like to thank them for their continued and much valued contribution.

THE PAST YEAR

As Chairman of Guernsey Post, I am pleased to present the accounts for the year ended 31st March 2018 and report on another positive set of results with an operating profit of £1.3m and profit before tax of £1.9m, our second best operating profit performance in over a decade.

Overall, the Company's performance for the year has been excellent, considering the effect that digital substitution is continuing to have on our traditional letter volumes and the associated revenue and profitability. By way of illustration, local mail volumes alone experienced a decline of just over 11% in the past year. This rapid rate of decline underscores the critical importance of the reforms that we have introduced to the letters and parcels business in recent years. By merging our letter and parcel delivery network, the Company has been able to create and utilise capacity to handle the continued growth in on-island parcel delivery volumes without any investment in additional resourcing.

The Board remains committed to mitigating, as far as possible, the decline in core volumes by continuing to strive for greater efficiencies and exploiting commercial opportunities, such as the continued growth of parcel delivery. In this regard, the Company has this year agreed a partnership with Hermes, seamlessly integrating a large proportion of their on-island parcel volumes into our existing infrastructure and delivery network and is hopeful of building this relationship further over the coming year. The Company will continue to pursue its strategy in growing its position as a market leader in on island parcel deliveries by focusing on best price, high levels of customer service and the extension of choice in terms of delivery options.

In respect of our quality of service, I cannot recall there ever being such a sustained and poor run of bad weather that has caused numerous delays to our supply chain options in the delivery of our customers mail volumes. In the face of such challenges, the resolve and commitment of our staff to identify solutions and ensure our customer expectations were met and in many cases exceeded, merits special mention. In illustrating this point, with the exception of mail posted in the UK and delivered in Guernsey, elements of which were outside of our control, quality of service performance results for the year have again exceeded targets.

Since 2012, which coincided with the loss of Low Value Consignment Relief, a key aspect of the Company's strategy has been to focus on the retention and growth of the online personalised greeting card and gift sector. Each year since, the Company has underpinned the growth of the industry with competitive pricing, innovative postal products and exceeding expectations on quality of service. In 2018, it is likely that 95% of personalised greeting cards, destined for the UK, will be produced and posted from Guernsey, a statistic which neatly illustrates the success of our strategy.

Over the past year, the Board has continued to support the expansion of the Company's fleet of electric vehicles and the recent introduction of an electric fleet in Alderney enhances the strategic commitment to increase capacity for delivery whilst reducing the environmental impact. The integration of electric vehicles into our delivery fleet has been a huge success on a number of levels and, as a Board, we are committed to accelerating this migration to electric vehicles over the coming financial year.

Guernsey Post has this year again been awarded the Investors in People Gold level standard, remaining one of the top accredited organisations across the UK. The Company has been accredited under the Investors in People framework since 2009 and has now held the Gold standard since 2012. To achieve this status again is a great privilege and a direct acknowledgement to the continued hard work and commitment of our staff and our unions in adapting and improving the way we work.

Guernsey Post has also continued to play an active part in the wider community, and I am pleased to report the Company has, once again, been able to support the St Peter Port Christmas Lights Charity and the Guernsey Literary Festival this year, both of which are much valued and worthwhile causes that the island community is able to benefit from.

DIVIDEND

In the context of the overall financial position of the business, combined with strong underlying operational performance, the Board is pleased to propose an ordinary dividend in respect of the year ended 31 March 2018 of £600k.

Furthermore, in view of the current strength of the Company's balance sheet, its future capital requirements and current healthy liquidity levels, the Company is pleased to propose a further one-off special dividend of £500k in respect of the same period.

THE BOARD

The Company this year welcomed a new Commercial Director, Jill Thomas, to the Board. Jill joined the Company in 2010, and has over 20 years' experience holding senior roles for a variety of commercial businesses. Jill's skills and experience will help the Company in implementing its strategies in driving revenue and business growth.

There have been no other personnel changes to the Board in the past twelve months. However, this annual report will represent my last as Chairman and Non-Executive Director of Guernsey Post. During my time as a Non-Executive Director, the Company has faced a number of defining challenges, most notably the loss of Low Value Consignment Relief and, more recently, the necessity for fundamental pension reform. In that regard, I am extremely grateful to my fellow Directors and the staff at Guernsey Post for their enduring willingness to embrace change and their professional response to the challenges that have been faced, all of which has been pivotal to the continued success of the organisation.

In handing over my responsibilities to my successor, Simon Milsted, I do so in the knowledge that the Board is in good hands and well equipped to deal with future challenges. Whilst the Company has made significant strides forward in recent years, the future is by no means certain and the Company will need to evolve further to protect the sustainability of the Universal Service Obligation.

This year the Company will also be saying goodbye to Steve Hannon. Steve has served the Board in a variety of roles, holding the position of Interim Chief Executive and Chief Executive between 2006 and 2008 and more latterly in the capacity as a Non-Executive Director. His postal market knowledge and expertise has been of real value to the Company and myself and my fellow Board members would like to place on record our gratitude for his contribution.

THE FUTURE

The outlook for the year ahead is very much unchanged, and again remains one of cautious optimism.

The Company will continue to identify and exploit growth and diversification opportunities in existing markets, such as bulk mail and on-island deliveries, whilst building in further structural agility to respond to the impact that digital substitution and core volume decline will no doubt have on our future financial sustainability. The Board will remain fully committed to ensuring that Guernsey Post is sufficiently well equipped for the challenges ahead, whilst, at the same time, seeking to deliver maximum value to its Shareholder.

The performance of the Company over the past twelve months, reflected by the strong set of financial results, continues to be a credit to our tremendously hard working and dedicated members of staff, and on behalf of myself and my fellow Directors, I would again like to thank them for their continued and much valued contribution.

A M Duquemin, ***Chairman***
June 2018

Guernsey Post, Envoy House.

Business Review for the Year

OUR RESULTS

Guernsey Post is pleased to report an operating profit of £1.3m for the year ended 31 March 2018, despite this being a fall of £1m on the prior year.

This fall in profit serves as a constant reminder that ongoing decline in traditional letter volumes and small fluctuations in other key revenue streams continue to have a material impact on overall profitability of the Company.

Against this backdrop, the Company remains committed to identifying new and innovative products and services and developing further growth opportunities within its existing customer base, whilst building in further structural agility to respond to the challenges of a fast changing and ever evolving industry.

PROFIT AND LOSS

Turnover for the year was £30.1m, which represents a £0.9m (3%) reduction for the year. Despite some pleasing underlying growth in elements of the Company's bulk customer base, overall bulk revenue fell 5% in the year and, alongside ongoing declines in core letter revenues, were the primary causes for the overall fall in turnover. Notwithstanding this, both our Philatelic and Batif businesses reported pleasing levels of revenue growth in the year.

Expenditure for the year was £28.8m, a marginal increase on the prior year. Direct costs of £13.7m, whilst a decrease on prior year, does include a write back of a prior year provision. Underlying direct costs associated with servicing revenues did experience a marginal increase in the year, which was fundamentally driven by a change in revenue mix and an increase in conveyance costs.

Staff costs for the year were £10.9m, representing an increase of £0.3m on prior year, with a combination of cost of living increases and a marginal uplift in the number of full-time equivalent employees being the main cause.

Profit on ordinary activities before Taxation for the year was £1.9m, which benefited from the investment return achieved on funds placed within the States of Guernsey Cash and Investment Pool of £0.4m.

BALANCE SHEET

Shareholders' funds were £22.8m, an increase of £0.4m in the year. The Company continues to operate with a strong Balance Sheet and a healthy liquidity position. At the year end, the Company reported a cash balance of £1.9m, alongside separate short term investment balances held with States Treasury of £9.9m and £3.3m of current assets, supported by a £12.0m fixed assets base. Reported current liabilities and provisions were £3.9m and £0.3m respectively.

CASHFLOW STATEMENT

The Company had net inward cash movements of £0.6m during the year, with net cash generated from operations contributing £2.3m in the year.

The primary cash flow adjustments related to £1.6m paid out in dividends during the year, which was partially offset by investment returns on funds invested by the States Treasury on the Company's behalf. This generated £0.5m of inward cash flows during the period as a result of investment yields on funds placed within the States of Guernsey Cash and Investment Pool.

Capital spend in the year was £0.6m, the primary investment being £0.4m in the replacement and increase of the vehicle fleet as part of our ongoing fleet replacement programme and the Company's wider combined letters and parcels delivery strategy. A further capital investment of £0.2m was made in respect of upgrading the Company's IT infrastructure.

"Guernsey Post is pleased to report an operating profit of £1.3m for the year ended 31st March 2018."

OPERATIONAL SUMMARY

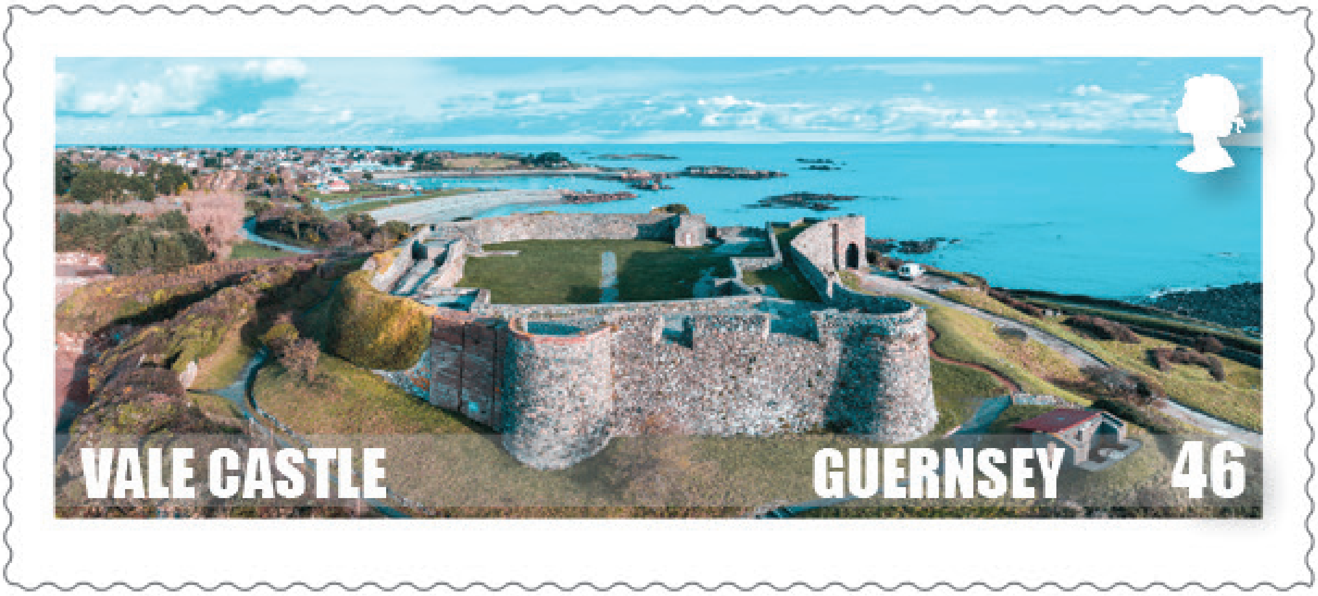
The total number of mail items handled during the year was approximately 41m. Total inward mail delivered was down 7% on prior year and was again impacted by the ongoing decline seen in inward UK letters and packets. Local mail delivered also experienced a decline of 11% in the year.

Total outward mail was up 3% on prior year, primarily as a result of an increase in outward bulk volumes during the period.

With the exception of mail posted in the UK but delivered in Guernsey, elements of which were outside of our control, quality of service performance results for the year have exceeded the set targets for each of the measures, as illustrated below, and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.

QUALITY OF SERVICE PERFORMANCE

	2017/18	Target
Delivered Locally	98%	95%
Delivered in Jersey	85%	82%
Delivered in UK	85%	82%
Posted in Jersey	86%	82%
Posted in UK	81%	82%



Andrew Duquemin
CHAIRMAN

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The International Stock Exchange. He is also a Director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a Company providing fund management, administration and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered Company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the Boards of several local trading companies, a London-based investment bank and a P2P loans business. He is a Fellow of the Chartered Institute for Securities & Investment, a Chartered Wealth Manager and holds the advanced diploma in Corporate Finance.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent twenty seven years have seen him gain a wide range of experience in different roles, rising through the ranks of the Company. Initially employed as a Clerical Assistant, he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and an Executive Director in April 2010. In July 2010, he was appointed interim Chief Executive before taking the role on a permanent basis in September 2010.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing, business and finance. Most recently he was awarded the certificate in Company Direction from the Institute of Directors.

Steve Sheridan
FINANCE DIRECTOR

Steve Sheridan was born and educated in Nottingham, before work opportunities brought him to Guernsey in 1993.

He has over 20 years experience in accountancy and financial control, holding a number of senior roles for a variety of firms within Insurance, Fiduciary, Retail and the Banking industries. He qualified in 2004 before joining All in Black as their Financial Controller and General Manager. During his time in this role, he was successful in creating an effective management reporting solution for the business, out of which a number of key rationalisation initiatives were undertaken.

His next role took him to Credit Suisse, where he held a variety of positions, one of which was part of a project team tasked to ensure the successful deployment of their Financial Accounting function to its offices in India. More latterly, Steve was employed within the Private Banking and Asset Management Division, where he held the position of Head of Financial Management for the Channel Islands.

Steve brings with him a wealth of accountancy and financial control knowledge, as well as a strong commercial acumen.

Steve was appointed Finance Director with Guernsey Post in early 2014.

Jill Thomas
COMMERCIAL DIRECTOR

Jill grew up in the East Midlands, graduating from Aston University with a Combined Honours Degree in French and Business.

After leaving University, Jill worked for 12 years within various divisions of the Coats Viyella Group, both in the UK and Paris, primarily managing procurement and product development for the textile group.

Jill then moved to a corporate uniform company based in Oxfordshire, as their Head of Procurement in 2001. She was promoted to Procurement Director and, in 2005, took on the role of Managing Director which she held until she moved to Guernsey with her husband in 2009.

With more than 20 years experience in commercial businesses, Jill joined Guernsey Post in 2010, initially managing BATIF, Guernsey Post's foreign exchange division. The following year, Jill took on responsibility for retail services and post office counters. Jill's remit was increased to include key customers and customer service in 2013 and she was appointed to the Board in July 2017.

Steve Hannon
NON-EXECUTIVE

Steve Hannon has over 40 years experience in the postal industry. For the majority of that time he worked for Royal Mail, where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a Divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time, he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003, he has undertaken consultancy work in the postal field and became a Director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the Company in 2008.

Between July 2006 and February 2007, he undertook the role of Interim Chief Executive of Guernsey Post.

Stuart Le Maitre
NON-EXECUTIVE

Stuart Le Maitre was born and educated in Guernsey. Following a brief period of employment at the Guernsey Post Office, he studied in Bristol and obtained a degree in Education and a post graduate qualification in careers guidance. He held a senior position in the Careers Service at Buckinghamshire County Council for five years before returning to join the Civil Service in Guernsey, where he held senior positions for the next 20 years.

During this time, his responsibilities included the development and oversight of departments responsible for industrial relations and employment legislation, trading standards and consumer affairs, health and safety in the work place and initiatives to support the development of the non-finance sector of the Island's economy. Having worked on the development of the regulatory framework for the Bailiwick of Guernsey and the establishment of the Office of Utility Regulation, he was also involved in the commercialisation of the States' Trading Utilities.

On leaving the Civil Service, Stuart undertook a variety of consultancy assignments and in 2006 was appointed as Chief Operating Officer with responsibility for the set up phase of a new local mobile telephone Company. More recently, he held the position of Chief Executive of the Medical Specialist Group in Guernsey until he resigned from this post in June 2013. He has recently taken up the position of Douzaine Representative for the Vale Parish and holds other local board positions. Stuart was appointed Deputy Industrial Disputes Officer in January 2017.

Simon Milsted
NON-EXECUTIVE

On qualification as a Chartered Accountant in 1982, Simon Milsted joined the London City office of Price Waterhouse, during which time he was engaged on a series of special assignments for the Bank of England. Two consecutive assignments took him to the West Country, following which he moved his young family westwards transferring permanently to Price Waterhouse's Bristol office.

In 1988, Simon co-founded an independent firm of Chartered Accountants that soon became one of the fastest growing and most well respected independent firm of advisers in the South West, bringing a high level of specialist and consulting advice to the owner-managed business community across the region.

In 1995, Simon invested in and became non-executive chairman of the BSI Group, a business process outsource specialist in the business travel sector, which became the European leader in its field. Simon has held office as Regional President of the Institute of Chartered Accountants in England and Wales, sat on a number of Government sponsored business support bodies and was a governor and non-executive treasurer of a leading South West public school.

Since his move to Guernsey in 2010, Simon has pursued an active engagement with businesses and not for profit organisations on the Island, both in an advisory capacity and as principal.

Richard Digard
NON-EXECUTIVE

Richard Digard is a career journalist, editor and newspaper management specialist who has extensive experience at director level of running the Channel Islands' two daily newspapers plus other titles and digital publications.

Locally born and educated at Elizabeth College and Coventry University, Richard became the first news editor of the Guernsey Press and Star in 1987. He was appointed Marketing Manager at Sun Alliance International Life in 1994, where he ran its marketing division, serving teams in the UK, Europe, Africa and the Far East.

He returned to the Guernsey Press and Star in 1997, and was appointed Editor in 2000. He subsequently joined the Board of the Guernsey Press Co. Ltd and then Guiton Publishing, a group board committee responsible for the strategic direction and performance of its two Channel Islands newspapers.

These experiences include a strong trading background with a hands-on approach to the challenges and opportunities created for established industries by new technology.

Since retirement in 2014, he has been a member of the Independent Review Panel appointed by the States to consider States Members' remuneration and served as a Member of the States Scrutiny Management Committee until early 2017. Richard is also a non-executive Director of a locally-based captive insurance company and has been a douzenier of the Vale Parish since 2016.

Corporate Governance Report

COMPLIANCE

Guernsey Post Limited's corporate governance arrangements are based on the proportionate and relevant application of good practice principles in corporate governance, predominantly those contained within the UK Corporate Governance Code published in April 2016 (the code). Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with the States' Trading Supervisory Board that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work on its corporate governance programme during the financial year ended 31 March 2018, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Company within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Company's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Company, sets its values and standards and takes decisions objectively in the interests of the Company, its Shareholder and other stakeholders.

Non-Executive Directors help to develop and challenge the Company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for Executive Directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to our Shareholder and those which can be delegated to Committees of the Board, or senior management.

There were nine board meetings held during 2017/18. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 12-13 (*16-17), together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post has a non-executive Chairman and a Chief Executive. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive responsible for the running of the Company's business.

Andrew Duquemin spends, on average, one day per week in his role as Chairman. He is also Chairman of Elysium Fund Management Limited, amongst other external Directorships. The Board considers that his external Directorships do not make conflicting demands on his time as Chairman.

Simon Milsted is the Senior Independent Director and is available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year, the Company has had a balance of independent Non-Executive Directors on the Board, who ensure that no one person has disproportionate influence. All the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five Non-Executive Directors and three Executive Directors on the Board.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of Non-Executive Directors has to be ratified by the States of Deliberation.

The Nominations Committee meets 3-4 times a year to consider the balance of the Board, job descriptions and objective criteria for Board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled Board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the Directors receive a copy of the agenda for the meeting, financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The Directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled Board meeting, the Directors receive the prior month and cumulative Company financial and operating information.

All newly appointed Directors participate in an extensive internal induction programme that introduces the Director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on Board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with Board procedures. This includes recording any concerns relating to the running of the Company, or proposed actions arising therefrom that are expressed by a Director in a Board meeting. The Company Secretary is also Secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all Directors on Board procedures, corporate governance and regulatory compliance.

* These page numbers refer to the annual financial statement document approved by the auditors.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all Board and Board committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit and Risk Management Committee	Nominations Committee	Remuneration Committee
Boley Smillie	9/9			
Steve Sheridan	9/9			
Steve Hannon	9/9		4/4	4/4
Andrew Duquemin	7/9			
Simon Milsted	9/9	2/2		
Stuart Le Maitre	7/9		4/4	4/4
Richard Digard	8/9	2/2		
Jill Thomas (appointed 31 July 2017)	5/5			

(A) The first figure represents attendance and the second figure the possible number of meetings e.g. 8/9 represents attendance at 8 out of a possible 9 meetings. Where a Director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

PERFORMANCE EVALUATION

The Board undergoes regular evaluation of its performance. The evaluation consists of a confidential questionnaire, which is independently assessed, and a report that is then submitted to the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's Articles state that a Non-Executive Director should be proposed for re-election, if he or she has been appointed to the Board since the date of the last Annual General Meeting (AGM), or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each Non-Executive Director submits himself or herself for re-election by the Shareholder at least every three years.

Non-Executive Directors serve the Company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Deliberation.

In accordance with the Articles of Association, Andrew Duquemin and Steve Hannon are due to retire by rotation. Andrew Duquemin has decided to stand down at the next AGM and will be replaced as Chairman by Simon Milsted. In addition, Steve Hannon has indicated that he does not wish to be considered for re-election to the Board and will also be retiring from the Board.

REMUNERATION

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and Non-Executive Directors are determined by the States' Trading Supervisory Board, and, at the request of those Board members, had remained unchanged from 2010 until April 2017.

The Remuneration Committee, which is chaired by Stuart Le Maitre, consists of two Non-Executive Directors and determines remuneration levels and specific packages appropriate for each Executive Director, taking into account the Company's annual salary negotiations. No Director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the Directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Limited. The Company has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised half yearly in the light of this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All Directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and, where possible, mitigate the Company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented, or detected, within a timely period.

In 2012, the Audit and Risk Management Committee considered the need for an internal audit function and concluded that the financial position, size and complexity of the Company could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team.

AUDIT & RISK MANAGEMENT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit and Risk Management Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the Company's relationship with the Company's external auditor.

The Committee members comprise independent Non-Executive Directors. Simon Milsted, who is a qualified accountant, was appointed as the Chairman of the Audit & Risk Management Committee and the Board is satisfied that Simon has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Richard Digard is the other member of the Audit & Risk Management Committee.

The re-appointment of KPMG Channel Islands Limited as the Company auditor was reviewed during the year and under the instruction of the Board, the Audit Committee has placed the audit out to tender to allow appointment for the year ending March 2019 audit at the forthcoming Annual General Meeting.

The Committee meets once a year with representatives of the Company's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular meetings between the Chairman, Chief Executive and the Finance Director of Guernsey Post, and senior staff of the States' Trading Supervisory Board. The Company presents its strategic plan to our Shareholder for approval every year.

Following changes to the Constitution of the States of Deliberation, with effect from 1 May 2016, the role of Shareholder representative passed to the States' Trading Supervisory Board.

The Chairman and Senior Independent Director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the Non-Executive Directors meet with our Shareholder at the AGM.

The date of the AGM is agreed with our Shareholder and ten working days notice is given. The AGM is chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled Board meetings, the Company operates through various Board Committees, of which the membership and main terms of reference are set out below (except the Audit & Risk Management Committee which is outlined above).

Stuart Le Maitre is the Chairman of the Nominations Committee, supported by Steve Hannon. The main terms of reference of this Committee are to regularly review the structure, size and composition of the Board and to make recommendations on the role and nomination of Directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. The Committee met four times in 2017/18 and all members of the Committee were present.

Stuart Le Maitre is also the Chairman of the Remuneration Committee, supported by Steve Hannon. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Company and to determine the policy for, and scope of, pension arrangements for each Executive Director. The Committee met four times in 2017/18 and all members of the Committee were present.

DIRECTORS REPORT

DIRECTORS' REPORT

The Directors present their annual report, together with the financial statements, for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Channel Islands Competition and Regulatory Authority (CICRA) (formerly the Office of Utility Regulation).

The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

SIGNIFICANT EVENTS

There were no significant events of note during the 2017/18 financial year.

RESULTS

The results for the year are shown in the profit and loss account on page 16 (*23).

DIVIDEND

The Directors recommend a dividend of £600k based upon the profits for the year ended 31 March 2018 (2017: £564k).

In addition, the Directors recommend a one off special dividend of £500k (2017: £1m).

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 6 to the financial statements.

DIRECTORS

The Directors of the Company, who served throughout the year and at the date of this report, were as follows:

A Duquemin
B Smillie
S Sheridan
S Hannon
S Le Maitre
S Milsted
R Digard
J Thomas (appointed 31 July 2017)

No Director has an interest, either beneficially or non beneficially, in any shares of the Company (2017: no interest beneficially, or non beneficially).

In accordance with the Articles of Association, Andrew Duquemin and Steve Hannon are due to retire by rotation and have both indicated that they wish to step down from the Board at the forthcoming Annual General Meeting. It is proposed that Simon Milsted will become Chairman of the Board with effect from the date of the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

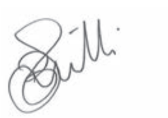
DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The re-appointment of KPMG Channel Islands Limited as the Company auditor was reviewed during the year and under the instruction of the Board, the Audit and Risk Management Committee has placed the audit out to tender to allow appointment for the year ending March 2019 audit at the forthcoming Annual General Meeting.

B Smillie
Chief Executive



A M Duquemin
Chairman

*These page numbers refer to the annual financial statements document approved by the auditors

Glategny Court, Glategny Esplanade
St Peter Port, Guernsey, GY1 1WR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

Our opinion is unmodified

We have audited the financial statements of Guernsey Post Limited (the "Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 March 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- comply with the Companies (Guernsey) Law, 2008.

BASIS FOR OPINON

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

RESPECTIVE RESONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 14 (*19), the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited
Chartered Accountants Guernsey
29 June 2018

*These page numbers refer to the annual financial statements document approved by the auditors

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**31 March 2018 £'000**	31 March 2017 £'000
Turnover		**30,118**	31,045
Expenses	2	**(28,849)**	(28,744)
Operating Profit		**1,269**	2,301
Other income			
Investment income		**441**	1,463
Interest income		**1**	1
Rental income		**120**	119
Revaluation of Investment Property	7	**25**	(25)
Profit on ordinary activities before net gain on pension scheme		**1,856**	3,859
Net expense on pension scheme	14	**-**	(328)
Curtailment and settlement of defined benefit pension scheme	14	**-**	26,342
Profit on ordinary activities before taxation		**1,856**	29,873
Tax credit / (expense) on profit on ordinary activities	3	**131**	(5,789)
Profit for the financial year		**1,987**	24,084
Other comprehensive income			
Remeasurement of defined benefit liability	14	**-**	369
Decrease in deferred tax asset on actuarial losses		**-**	(74)
Other comprehensive income for the year		**-**	295
Total comprehensive income for the year		**1,987**	24,379

All activities derive from continuing operations

The notes on pages 20 to 31 (* 27-42) form an integral part of these financial statements

* These page numbers refer to the original Financial Statement documents approved by the auditors.

BALANCE SHEET

At 31 March 2018

	Notes	**31 March 2018 £'000**	31 March 2017 £'000
Non-current assets			
Intangible fixed assets	5	**-**	53
Tangible fixed assets	6	**10,816**	10,957
Investment property	7	**1,000**	975
Investment in subsidiaries	8	**-**	-
Debtors greater than one year:-Deferred tax	10	**170**	180
		11,986	12,165
Current assets			
Cash at bank and in hand		**1,868**	994
Balances with States Treasury	11,16	**9,906**	10,137
Debtors	9	**3,015**	3,460
Stock		**245**	186
		15,034	14,777
Creditors: Amounts falling due within one year	12	**(3,934)**	(3,513)
Net current assets		**11,100**	11,264
Total assets less current liabilities		**23,086**	23,429
Provisions	17	**(300)**	(1,066)
Net assets		**22,786**	22,363
Capital and reserves			
Shareholder's capital	13	**7,886**	7,886
Profit and loss account		**14,900**	14,477
		22,786	22,363

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2018.
They were signed on its behalf by:

B Smillie
Chief Executive

A M Duquemin
Chairman

The notes on pages 20 to 31 (* 27-42) form an integral part of these financial statements.

* These page numbers refer to the original Financial Statement documents approved by the auditors.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Shareholders Capital	Profit and loss account	Total Equity
	£,000	£'000	**£'000**
Balance at 1 April 2016	13,886	(9,702)	**4,184**
Total comprehensive income for the year			
Profit for the year	-	24,084	**24,084**
Remeasurement of defined benefit liability	-	369	**369**
Decrease in deferred tax asset on actuarial losses	-	(74)	**(74)**
Total comprehensive income for the year	**-**	24,379	**24,379**
Transactions with owners, recorded directly in equity	(6,000)		**(6,000)**
Dividends	-	(200)	**(200)**
Total contributions by and distributions to owners	(6,000)	(200)	**(6,200)**
Balance at 31 March 2017	7,886	14,477	**22,363**
Balance at 1 April 2017	7,886	14,477	**22,363**
Total comprehensive income for the year			
Profit for the financial year	-	1,987	**1,987**
Total comprehensive income for the year	-	1,987	**1,987**
Dividends	-	(1,564)	**(1,564)**
Total contributions by and distributions to owners	-	(1,564)	**(1,564)**
Balance at 31 March 2018	7,886	14,900	**22,786**

The notes on pages 20 to 31 (* 27-42) form an integral part of these financial statements.

* These page numbers refer to the original Financial Statement documents approved by the auditors.

CASH FLOW STATEMENT

For the year ended 31 March 2018

	Notes		**31 March 2018 £'000**		31 March 2017 £'000
Operating activities					
Profit or loss for the financial year			**1,987**		24,084
Adjustments for:					
Depreciation and amortisation			**737**		942
Profit on disposal of fixed assets			**(3)**		(4)
Interest receivable and similar income			**(562)**		(1,583)
Revaluation of investment property			**(25)**		25
Net pension scheme service costs			**-**		(28,170)
Write off of fixed assets to P&L			**25**		-
Taxation			**(131)**		5,789
(Increase) / Decrease in stocks			**(58)**		70
Decrease / (Increase) in debtors			**509**		(618)
(Decrease) / Increase in creditors			**(141)**		148
Net cash generated from operations			**2,338**		683
Interest received		**1**		1	
Rent received		**120**		119	
Tax Paid		**(191)**		(59)	
Net cash inflow from operating activities			**(70)**		61
Investing activities					
Purchase of tangible fixed assets		**(568)**		(461)	
Investment income		**504**		1,432	
Proceeds from sale of tangible fixed assets		**3**		4	
Net cash outflow from investing activities			**(61)**		975
Cash flows from financing activities					
Dividend paid	4	**(1,564)**		(200)	
Share buyback		**-**		(6,000)	
Net cash outflow from financing activities			**(1,564)**		(6,200)
Net increase/(decrease) in cash and cash equivalents			**643**		(4,481)
Increase / (decrease) in cash balances			**643**		(4,481)
Cash and cash equivalents at 1 April			**11,131**		15,612
Cash at bank and investments held as at 31 March 2018			**11,774**		11,131
Represented by:					
Balances with States Treasury			**9,906**		10,137
Cash			**1,868**		994
			11,774		11,131

The notes on pages 20 to 31 (* 27-42) form an integral part of these financial statements.

* These page numbers refer to the original Financial Statement documents approved by the auditors.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

1. Significant accounting policies

Reporting entity

Guernsey Post Limited (the "Company") commenced trading on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey, GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 3 - Taxation
- Note 6 - Tangible Fixed ssets - Depreciation
- Note 7 - Investment Property
- Note 17 - Provisions - dilapidations

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statement for the year ending 31 March 2018 is included in the following notes:-

- Note 3 - Taxation - Basis for determining classification of Regulated and Non Regulated profits
- Note 6 - Tangible Fixed assets - Depreciation - determination of depreciation policy for tangible fixed assets
- Note 7 - Investment Property - determination of fair value of investment property
- Note 10 - Deferred Tax - recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
- Note 17 - Provisions - dilapidations - reinstatement obligations related to the Smith Street leasehold property

Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Turnover

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis and no provision is made for postal services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest and investment income is recognised in the Profit and Loss Account on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling, or delivering, mail in respect of stamps and franking machine credits sold but unused at the Balance Sheet date.

Taxation

The Company, as a Guernsey Utility Company regulated by the Channel Islands Competiton and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the Balance Sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends

Dividends paid are recognised when the obligation to pay has been established.

De-recognition of assets

Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Profit and Loss Account.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Profit and Loss Account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

1. Significant accounting policies - continued

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision is recognised in the Profit and Loss Account.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Profit and Loss Account, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold Land	N/A	Nil
Buildings	8 - 50	2 - 12.5
Plant and Equipment	15	6.67
Furniture & Fittings	3 -13	7.7 - 33.3
Postal Machinery	8 -15	6.67 - 12.5
Transport	5 - 10	10 - 20

Basic Financial Instruments

Cash at bank and in hand comprises cash balances, call deposits and short term investments held with the States of Guernsey Treasury.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the loss recognised in the Profit and Loss Account.

Creditors are initially recognised at transaction price.

Investment in subsidiary

The investment in subsidiary is stated at fair value through the Profit and Loss Account. In accordance with FRS 102 section 9.3 (g) and section 244 of the Companies (Guernsey) Law, 2008, the Company does not prepare consolidated financial statements.

Foreign currency

Foreign currency held in any bank account is translated at the exchange rate prevailing at the Balance Sheet date. In the event of any gains or losses arising, these are taken to the Profit and Loss Account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

Pension costs

From 1 August 2016, the Company established a new defined contribution pension scheme, for which all eligible staff had the option of joining. Both the Company and its employees pay contributions into this independently administered fund. The cost of providing these benefits is recognised within the Profit and Loss Account, and comprise both the amount of contributions payable to the scheme and associated scheme administration costs for the year.

Investment property

The Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Profit and Loss Account.

Provisions

Provisions are recognised when the Company has a present and legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been readily estimated. Changes in the estimated timing or amount of the expenditure are recognised in the Profit and Loss Account when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

2. Expenses

	31 March 2018 £'000	31 March 2017 £'000
Direct costs	**13,693**	13,734
Staff costs	**10,918**	10,593
Directors' remuneration	**606**	437
Other staff expenditure	**605**	555
Support costs	**2,290**	2,165
Depreciation	**684**	888
Amortisation of goodwill	**53**	54
Pension costs	**-**	318
Total	**28,849**	28,744

Pension payments are included in staff costs and the separate pension expense in the prior year relates to the associated pension scheme costs of the legacy defined pension scheme up to the point of the closure of the scheme.

Pension scheme payments made into the defined contribution scheme, included within the staff costs heading, were £1,104k (2017: £1,003k)

Average full time equivalent employee numbers for the period were as follows:

	31 March 2018	31 March 2017
Operational staff, including postmen and women, post office counter staff and philatelic production staff	**179**	182
All other staff	**51**	45
Total	**230**	227

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

3. Taxation

	Note	**31 March 2018 £'000**	31 March 2017 £'000
Current year tax		**-**	144
Prior year tax		**(141)**	44
Deferred tax credit for the year	10	**10**	5,601
Total		**(131)**	5,789

Guernsey Post Limited, as a Guernsey Utility Company regulated by the Channel Islands Competition and Regulatory Authority (CICRA), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

Income from Guernsey land is also subject to the higher rate of income tax of 20%

The actual tax credit differs from the expected tax charge computed by applying the higher rate of Guernsey income tax of 20% as follows:

	31 March 2018 £'000	31 March 2017 £'000
Profit / (loss) on ordinary activities before taxation	**1,856**	29,873
Tax at 20%	**371**	5,974
Effects of adjusting items:		
Timing differences	**(11)**	28
Sundry adjustment to prior years' tax	**(141)**	44
Disallowed expenses	**7**	17
Rate differences on current tax	**(434)**	(259)
Non-utilised losses	**67**	-
Adjustment for pension costs	**-**	(5,616)
Current tax (credit) / charge	**(141)**	188
Deferred tax - pension deficit	**-**	5,616
Deferred tax - timing differences	**10**	(15)
Profit and loss taxation (credit) / charge	**(131)**	5,789

4. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2018 £'000	31 March 2017 £'000
Final dividend of 19.8p per share paid in this financial year in respect of the year ended 31 March 2017	**1,564**	200

(Final dividend paid last year in respect of the year ended 31 March 2016: 1.44p)

The Board is proposing a final dividend of £600k in respect of the year ended 31 March 2018. (2017: £564k).

The Board is also proposing a one off special dividend of £500k in respect of the year ended 31 March 2018 (2017: £1m)

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

5. Intangible fixed assets

	31 March 2018	31 March 2017
	Goodwill	Goodwill
	£'000	£'000
Opening cost	**543**	543
Opening accumulated amortisation	**(490)**	(436)
Opening carrying amount	**53**	107
Amortisation charge for the year	**(53)**	(54)
Closing carrying amount	**-**	53
Represented by:		
Closing cost	**543**	543
Closing accumulated amortisation	**(543)**	(490)
Total	**-**	53

The goodwill arose on the acquisition of the trade and net assets of BATIF Bureau de Change Limited in 2008 and has been fully amortised as at 31 March 2018.

6. Tangible fixed assets

	Motor Vehicles	Land & Buildings	Plant & Equipment	Postal Machinery	Furniture & Fittings	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Opening cost as at 1 April 2017	1,593	11,686	2,662	2,259	1,875	**20,075**
Opening accumulated depreciation as at 1 April 2017	(1,145)	(2,941)	(2,662)	(1,087)	(1,283)	**(9,118)**
Opening Carrying amount as at 1 April 2017	448	8,745	-	1,172	592	**10,957**
Additions	341	-	-	30	197	**568**
Depreciation	(133)	(188)	-	(189)	(174)	**(684)**
Disposals - Cost	(151)	(25)	-	-	(87)	**(263)**
Accumulated Dep'n	151	-	-	-	87	**238**
Closing carrying amount as at 31 March 2018	656	8,532	-	1,013	615	**10,816**
Represented by:						
Closing cost as at 31 March 2018	1,783	11,661	2,662	2,289	1,985	**20,380**
Closing accumulated depreciation as at 31 March 2018	(1,127)	(3,129)	(2,662)	(1,276)	(1,370)	**(9,564)**
Total	656	8,532	-	1,013	615	**10,816**

Freehold land with a cost of £2,505,000 (2017: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

7. Investment property

	Market Value 31 March 2018	Market Value 31 March 2017
Reconciliation of carrying amount	**£'000**	£'000
Balance at 1 April 2017	**975**	1,000
Change in fair value	**25**	(25)
Balance at 31 March 2018	**1,000**	975

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as gains in profit and loss and included in 'Other Income'. All gains or losses are unrealised.

The fair value of the investment property was determined by an external independent property valuer with recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation was undertaken by Wing Lai, MRICS, and Joanna Watts, MRICS, from Watts and Co. Limited on 16 March 2018.

8. Investment in subsidiaries

	31 March 2018	31 March 2017
	£'000	£'000
BATIF Bureau de Change Limited	-	-
	-	-

On 1 April 2008, the Company acquired 100% of the issued share capital of BATIF Bureau de Change Limited, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Limited were transferred to Guernsey Post Limited and BATIF Bureau de Change Limited changed to a dormant company. Guernsey Post Limited pays the administration costs for this company.

9. Debtors

	31 March 2018	31 March 2017
	£'000	£'000
Trade debtors	**2,358**	3,005
Other debtors	**15**	9
Prepayment and accrued income	**515**	383
Investment income receivable	**-**	63
Tax debtors	**127**	-
Total	**3,015**	3,460

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

10. Deferred Tax

	Deferred taxation - Accelerated Capital Allowances	Total
	£'000	£'000
At 1 April 2017	180	**180**
Credit to profit and loss account	(10)	**(10)**
At 31 March 2018	170	**170**

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by CICRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income. Income from Guernsey land is also subject to the higher rate of income tax of 20%

11. Balance with States Treasury

The Treasury Department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements and uses a broad range of investments in which to do so.

12. Creditors

	31 March 2018	31 March 2017
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**1,826**	975
Other creditors	**744**	693
Provisions (See Note 17)	**730**	750
Accruals and deferred income	**601**	858
Rental income paid in advance	**33**	33
Taxation payable	**-**	204
Total	**3,934**	3,513

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

13 . Shareholder's capital	**31 March 2018 £'000**	31 March 2017 £'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000

	No of shares	£'000
Allotted and fully-paid	7,886,258	7,886
Opening share capital at 1 April 2017	7,886,258	7,886
As at 31 March 2018	7,886,258	7,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

Shareholder's capital - represents the nominal value of shares that have been issued.

14. Pension Fund

On 25 April 2016, the Company entered into an agreement with the States of Guernsey to cease overall active membership of the States of Guernsey Public Servants Pension Scheme. On 31 July 2016, all of the Company's active members left the Scheme in respect of future service accrual, resulting in them being classified as deferred members. All of the Company's newly deferred and existing deferred and pensionable members benefits as at 31 July 2016 were subsequently transferred to the Combined Pool section of the States of Guernsey Public Servants Pension Scheme. The agreement allowed for the transfer of the value of the Guernsey Post Actuarial Fund to the States of Guernsey and the subsequent removal of all historic defined benefit pension financial commitments from the Company's Balance Sheet as at 31 July 2016.

From 1 August 2016, the Company established a new defined contribution pension scheme, for which all eligible staff had the option of joining. Both the Company and its employees pay contributions into this independently administered fund.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

14. Pension Fund (continued)

The amounts recognised in the Profit and Loss are as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Service cost	-	606
Curtailment gains	-	(6,151)
Settlement gains	-	(22,577)
Net Interest on net defined benefit liability	-	328
Gain recognised in Profit and Loss	-	(27,794)

The net Interest on net defined benefit liability item is broken down as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Interest on obligation	-	794
Interest on assets	-	(466)
Net interest on net defined benefit liability	-	328

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

14. Pension Fund (continued)

The amounts recognised as remeasurements in Other Comprehensive Income are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Return on assets (not included in interest)	-	248
Actuarial gains on obligation	-	121
Total remeasurements recognised in Other Comprehensive Income	-	369
Cumulative amount of remeasurements recognised in Other Comprehensive Income	-	(8,696)
Actual return on actuarial accounts assets	-	713

Changes in the present value of the actuarial account's defined benefit obligation are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Opening defined benefit obligation	-	68,279
Service cost	-	606
Contributions by members	-	155
Curtailment gains	-	(6,151)
Liabilities extinguished on settlements	-	(63,087)
Benefits paid	-	(475)
Interest on obligation	-	794
Experience gains	-	(121)
Losses from changes in assumptions	-	-
Closing defined benefit obligation	-	-

Changes in the fair value of actuarial account assets are as follows:

	31 March 2018 £'000	31 March 2017 £'000
Opening fair value of actuarial account assets	-	39,829
Interest on assets	-	466
Returns on assets (not included in interest)	-	248
Assets distributed on settlements	-	(40,510)
Contributions by employer	-	304
Contributions by members	-	155
Benefits paid	-	(475)
Administration expenses	-	(17)
Closing fair value of actuarial account assets	-	-

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

15. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 31 March 2018 £'000	Land and buildings 31 March 2017 £'000
Less than one year	**89**	89
Between one and five years	**128**	197
More than five years	**-**	11
	217	297

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

The Company leases two properties in St Peter Port to run one of its retail outlets and also its foreign exchange business. In addition, the company leases property to fulfil its postal operation in Alderney.

16. Related party transactions

The Company is wholly owned and ultimately controlled by the States of Guernsey.

Through the normal course of its business activity, the Company both purchases and provides services to its Shareholder, or entities, under the controlling influence of the Shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2018 amount to 2.1% of total turnover (2017: 2.1%). The total value of purchases for the year amounted to 2.9% of total expenses (2017: 2.9%) .

The States also provides, through its Policy & Resources Department, management of the Company's liquid funds in excess of short term needs.
At 31 March 2018, the balance held was £9,905,705 (2017: £10,137,576).

Director's remuneration is shown in note 2.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2018

17. Provisions

	Long Term Liability	Dilapidations	Total
	£'000	£'000	£'000
Balance at 1 April 2017	1,723	93	**1,816**
Provision used during the year	(769)	-	**(769)**
Provision reversed during the year	(17)	-	**(17)**
Balance at 31 March 2018	937	93	**1,030**
Non-current	207	93	**300**
Current	730	-	**730**
	937	93	**1,030**

Long term liability
The Long term liability provision relates to deferred commitments associated with, and intrinsic to, the successful exit of the States of Guernsey Public Servants Pension Scheme from 31 July 2016.

Dilapidations
This provision is in respect of the reinstatement obligations related to the Smith Street leasehold property and will be utilised within two years.

Contingent obligations - Financial Guarantee Contracts
Guernsey Post has financial guarantee contracts in place with States of Guernsey Customs and Excise and HM Revenue and Customs for £20,000, and £200,000, respectively. These contingent obligations are in place to provide security in the event that import and export duties paid to Guernsey Post from its customer base are not subsequently paid on to the respective authorities. Guernsey Post does not carry any liability to either the States of Guernsey Customs and Excise, or HM Revenue and Customs, in the event that customers directly withhold payment of import and export duties to Guernsey Post.

Guernsey Post Limited
Envoy House, La Vrangue, St Peter Port, Guernsey GY1 1AA
Telephone: 726241 Facsimile: 712082

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